

THE MANAGEMENT AND BUDGET ACT (EXCERPT)
Act 431 of 1984

ARTICLE 4

18.1401 Meanings of words and phrases.

Sec. 401. For purposes of this article, the words and phrases defined in sections 402 to 404 have the meanings ascribed to them in those sections.

History: 1984, Act 431, Eff. Mar. 29, 1985.

Popular name: Act 431

Popular name: DMB

18.1402 Definitions; C to E.

Sec. 402. (1) "Comprehensive annual financial report" means the official annual financial report of the state published by the department in accordance with section 23 of article IX of the state constitution of 1963.

(2) "Disbursement" means payment.

(3) "Encumbrance" means a commitment related to unperformed contracts for goods and services which is recognized as a reservation of fund balance for financial reporting purposes.

(4) "Expenditure" means charges incurred for work performed, supplies and materials delivered, services rendered, and grants and debt service due, whether or not payment has been made.

History: 1984, Act 431, Eff. Mar. 29, 1985.

Popular name: Act 431

Popular name: DMB

18.1403 Definitions; I to R.

Sec. 403. (1) "Imprest cash" means an account with the state treasurer into which a fixed amount of money is placed for the purpose of minor or emergency disbursements.

(2) "Indirect cost" means an amount which is received from the federal government relative to administering an award, contract, or grant made by the federal government.

(3) "Operating fund" means a fund in which the revenues and expenditures are subject to appropriation control.

(4) "Petty cash" means a sum of money set aside on an imprest basis for the purpose of making change or paying small obligations.

(5) "Receipt" means payment received.

History: 1984, Act 431, Eff. Mar. 29, 1985.

Popular name: Act 431

Popular name: DMB

18.1404 Definitions; R to W.

Sec. 404. (1) "Revenues" means the increases in the net current assets of a fund other than from expenditure refunds and residual equity transfers.

(2) "Revolving fund" means a self-supporting fund which provides services or sells goods to state agencies, other governmental jurisdictions, or the public.

(3) "Unencumbered balance" means that portion of an appropriation not yet expended and encumbered.

(4) "Unexpended balance" means that portion of an appropriation not yet expended.

(5) "Unit of local government" means unit of local government as defined by section 115(5).

(6) "Work project" means a 1-time nonrecurring undertaking for the purpose of accomplishing an objective contained in specific line-item appropriation for that purpose or any other specific line-item appropriation designated as a work project by law under criteria established under section 451a(1).

History: 1984, Act 431, Eff. Mar. 29, 1985;—Am. 1999, Act 8, Imd. Eff. Mar. 22, 1999.

Popular name: Act 431

Popular name: DMB

18.1411 Repealed. 1988, Act 504, Imd. Eff. Dec. 29, 1988.

Compiler's note: The repealed section pertained to certain appropriations unpaid due to employees' retirement.

Popular name: Act 431

Popular name: DMB

18.1421 Internal control in management of state's financial transactions; powers of director; accounting principles.

Sec. 421. (1) In order to establish strong internal control in the management of the state's financial transactions, the director may do any of the following:

(a) Issue directives for the accountability, custody, periodic inventory, and maintaining departmental records of the real and personal property and supplies and materials of the state.

(b) Issue directives relative to the formulation and control of a state central accounting system.

(c) Monitor, approve or disapprove, and assist in the development and enhancement of agency accounting systems. When assistance is provided, the state agency shall be interaccount billed for the cost of the services provided. The director shall issue directives to implement this subdivision.

(d) Examine, directly or by the director's representative, each proposed payment from the state treasury as will enable the director to certify to the state treasurer that the proposed payment is correct, for the discharge of a state liability or for some other purpose authorized by law, within the scope of the appropriation to which charged, and is not in excess of the unexpended or unencumbered balance of the appropriation. Except for investment transactions and refund of taxes, a payment shall not be made from the state treasury except upon certification of the director.

(e) Issue directives for the refund to payers of money which has been deposited in the state treasury through misunderstanding, inadvertence, or mistake and to which the state does not have a claim. The refunds shall be made pursuant to the directives except as otherwise provided in this act.

(f) Issue directives providing for and governing the establishment, the proper uses of, and accounting for imprest and petty cash funds by state agencies. An imprest or petty cash fund shall not exceed the monetary limit approved by the board.

(g) Prepare and publish a comprehensive annual financial report at the close of each fiscal year which clearly reflects the financial position of the state funds at the close of the fiscal year.

(2) If there is a conflict between generally accepted accounting principles, the principles adopted by the governmental accounting standards board, or its successor, shall be used. Changes in generally accepted accounting principles which require budgetary revisions shall be incorporated not later than the next executive budget after the change is issued. The director shall issue directives to incorporate any changes, additions, and rescissions made to the generally accepted accounting principles as they affect the accounting of state government. If an item is not covered by an existing generally accepted accounting principle, the director shall issue a directive which shall not be effective until 30 days after the directive is reported to the appropriations committee and the auditor general.

(3) The department shall not change an accounting principle, or the application of an accounting principle, from that which was followed in the preceding fiscal year if the change will materially affect the final year-end balance of an appropriated operating fund, unless the change in the accounting principle or the application of the accounting principle is reported to the senate and house appropriations committees not later than 120 days after the end of the fiscal year for which the change is to be implemented. However, the 120-day notice requirement shall not apply to a change in an accounting principle or the application of an accounting principle which is implemented to conform with requirements promulgated by the governmental accounting standards board, or its successor.

History: 1984, Act 431, Imd. Eff. Mar. 29, 1985;—Am. 1988, Act 504, Imd. Eff. Dec. 29, 1988.

Popular name: Act 431

Popular name: DMB

18.1421a Legislative and judicial access to state financial management system.

Sec. 421a. (1) The legislative and judicial branches of government shall have uninterrupted access to all capabilities of the state financial management system.

(2) A person who deliberately interrupts access violates this section and is subject to a civil penalty of \$1,000.00 per day for each separate violation of this section.

History: Add. 1994, Act 301, Imd. Eff. July 14, 1994.

Popular name: Act 431

Popular name: DMB

18.1422 Advances.

Sec. 422. The chief executive officer of a principal department may make advances to participants in state programs which require the expenditure of money before reimbursement by the state or receipt of federal money. An advance shall not be made unless the advance is approved by the director of the department of

management and budget. The director after consultation with the state treasurer shall issue directives implementing this section which shall provide for repayment, dollar limitations, and renewal authority.

History: 1984, Act 431, Eff. Mar. 29, 1985.

Popular name: Act 431

Popular name: DMB

18.1423 Examination of books, accounts, documents, systems, and financial affairs.

Sec. 423. The director may examine, or cause to be examined, the books, accounts, documents, systems, and financial affairs of each state agency for the purpose of determining compliance with directives.

History: 1984, Act 431, Eff. Mar. 29, 1985.

Popular name: Act 431

Popular name: DMB

18.1424 Production of books, papers, and documents; examination; testimony; oaths.

Sec. 424. (1) Upon demand of the director or any person duly designated by the director, an officer or employee of the state government shall produce for examination, the books of account, papers, and documents of their respective department or agency and shall truthfully answer all questions relating thereto.

(2) In connection with an examination, the director, or any person duly designated, may take testimony of witnesses, may administer oaths and examine such persons as may be necessary, and may compel the production of books, records, and papers.

History: 1984, Act 431, Eff. Mar. 29, 1985.

Popular name: Act 431

Popular name: DMB

18.1426 Books, records, and systems; adoption and use.

Sec. 426. The chief executive officer of each principal department or state agency shall adopt and use the books, records, methods, and systems of accounting and reporting prescribed by the director.

History: 1984, Act 431, Eff. Mar. 29, 1985.

Popular name: Act 431

Popular name: DMB

18.1430 Capped federal funds, special revenue funds, and healthy Michigan fund; report on amounts and sources.

Sec. 430. Within 10 working days after formal presentation of the executive budget, the state budget director shall report to the members of the senate and house appropriations committees and the senate and house fiscal agencies on the amounts and sources of all capped federal funds, special revenue funds as defined in the state of Michigan's comprehensive annual financial report, and the healthy Michigan fund created under section 5953 of the public health code, 1978 PA 368, MCL 333.5953, and an accounting of the state departments or agencies in which the executive budget proposes to spend the funds.

History: Add. 1999, Act 8, Imd. Eff. Mar. 22, 1999.

Popular name: Act 431

Popular name: DMB

18.1431 Accounting for activities and programs; assignment; classification of funds.

Sec. 431. The director shall assign the accounting for activities and programs established by the legislature to funds and classify each fund into fund types in accordance with generally accepted accounting principles. The director may, in consultation with the chief executive officers of state agencies significantly involved in the operation of funds, change the classification of funds when the operation of the fund changes or when there is a change in the application of generally accepted accounting principles.

History: 1984, Act 431, Eff. Mar. 29, 1985.

Popular name: Act 431

Popular name: DMB

18.1432 Merging, combining, or segregating fund.

Sec. 432. The director, after consultation with the chief executive officer of the state agency significantly involved in the operation of the affected fund, may merge, combine, or segregate any fund which now is or may be provided by law.

History: 1984, Act 431, Eff. Mar. 29, 1985.

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Popular name: Act 431

Popular name: DMB

18.1434 Crediting certain revenues to revolving fund; financial plan; report.

Sec. 434. Revenues received from rates charged or goods sold and revenue which is received from any other source and designated to be credited to a revolving fund shall be credited to that fund. Within 60 days after the fiscal year begins, the director shall submit to the appropriations committees and fiscal agencies a financial plan for the ensuing fiscal year. The financial plan shall include the rate structure, a projected statement of revenues and expenses in sufficient detail to provide for comparison with actual revenues and expenses, a projected statement of receipts and disbursements, and any other information considered necessary by the director. Within 60 days after the end of the fiscal year, the director shall submit to the legislature, the appropriations committees, and the fiscal agencies a report on the status of all such revolving funds, including all information reported in the financial plan.

History: 1984, Act 431, Eff. Mar. 29, 1985;—Am. 1999, Act 8, Imd. Eff. Mar. 22, 1999.

Popular name: Act 431

Popular name: DMB

18.1435 Revolving funds; transferring net income to general fund.

Sec. 435. The net income earned each fiscal year in the following revolving funds shall be transferred to the state general fund at the end of that fiscal year. The funds to which this section applies are as follows:

- (a) Liquor purchase revolving fund.
- (b) Michigan state fair revolving fund.

History: 1984, Act 431, Eff. Mar. 29, 1985.

Popular name: Act 431

Popular name: DMB

18.1437 Advances to revolving fund; repayment; long term advances for acquisition of equipment; limitation.

Sec. 437. (1) The director may make advances to any revolving fund from time to time during a fiscal year, but all of the advances shall be repaid to the fund from which advanced before the end of the fiscal year.

(2) The director may, if approved by the board, make long term advances to the various revolving funds for the purpose of acquiring equipment. The amount of an advance made to any revolving fund shall not exceed the net book value of the assets acquired with the advance.

History: 1984, Act 431, Eff. Mar. 29, 1985.

Popular name: Act 431

Popular name: DMB

18.1441 Disposition of receipts; directives; subsection (1) inapplicable to state agency within legislative branch.

Sec. 441. (1) The receipts of the state government, from whatever source derived, shall be deposited pursuant to directives issued by the state treasurer and credited to the proper fund. The director shall issue directives to implement this section relative to the accounting of receipts.

(2) Subsection (1) does not apply to a state agency within the legislative branch of state government. A state agency within the legislative branch of state government may receive and expend amounts in addition to those authorized in a budget act.

History: 1984, Act 431, Eff. Mar. 29, 1985.

Popular name: Act 431

Popular name: DMB

18.1442 Expenditure or transfer of funds appropriated to entity within legislative branch.

Sec. 442. Funds appropriated to an entity within the legislative branch of state government shall be expended or be transferred to another account only with the written approval of the authorized agent of the legislative entity. When the authorized agent of the legislative entity notifies the department of its approval of an expenditure or transfer within the existing level of appropriations, the department shall immediately make the expenditure or transfer. The authorized legislative entity agents shall be designated by the speaker of the house for house entities, the senate majority leader for senate entities, and the legislative council for library of Michigan and legislative council entities.

History: Add. 1991, Act 72, Imd. Eff. July 11, 1991.

Popular name: Act 431

Popular name: DMB

18.1443 Money received by state agencies; forwarding to state treasurer; crediting to general fund; limitation on transfers.

Sec. 443. Except as otherwise provided by law, all money received by the various state agencies for whom appropriations are made by a budget act shall be forwarded to the state treasurer and credited to the state general fund. The state budget director may make federal revenue transfers between the recipient state department and the spending state department only when funds are appropriated in the spending department.

History: 1984, Act 431, Eff. Mar. 29, 1985;—Am. 1999, Act 8, Imd. Eff. Mar. 22, 1999.

Popular name: Act 431

Popular name: DMB

18.1444 Encumbrances and receivables; reporting and recording.

Sec. 444. The department shall issue directives which provide that at least once per month, each state agency shall report to the department all encumbrances against appropriation accounts and all revenue receivables against each source of financing. These encumbrances and receivables shall be recorded on the state's accounting system.

History: 1984, Act 431, Eff. Mar. 29, 1985.

Popular name: Act 431

Popular name: DMB

18.1451 Lapse of unencumbered balance of appropriation; unascertainable documents; charging encumbrance to next succeeding fiscal year.

Sec. 451. (1) At the close of the fiscal year, the unencumbered balance of each appropriation shall lapse to the state fund from which it was appropriated. A document which is not ascertainable before the cutoff date set by the director may be charged against a current year's appropriation if the chief accounting officer determines that the state agency was not willful in its failure to ascertain or record the document and if the amount of the payment would not have exceeded the unencumbered balance of the applicable appropriation in the prior fiscal year.

(2) An encumbrance entered into within 15 days before the end of the fiscal year and outstanding at the close of the fiscal year is not a charge against that fiscal year but is charged to the next succeeding fiscal year.

History: 1984, Act 431, Eff. Mar. 29, 1985;—Am. 1988, Act 504, Imd. Eff. Dec. 29, 1988;—Am. 1999, Act 8, Imd. Eff. Mar. 22, 1999.

Popular name: Act 431

Popular name: DMB

18.1451a Work projects.

Sec. 451a. (1) Except as provided in section 248, a work project appropriation continues to be available until completion of the work or 48 months after the last day of the fiscal year in which the appropriation was originally made, whichever comes first, then the remaining balance lapses to the state fund from which it was appropriated. For work projects established before the effective date of the amendatory act that added this section, the 48-month time period described in this subsection begins on the last day of the fiscal year in the year the amendatory act that added this section takes effect. To be designated as a work project, a work project shall meet all of the following criteria:

- (a) The work project shall be for a specific purpose.
- (b) The work project shall contain a specific plan to accomplish its objective.
- (c) The work project shall have an estimated completion cost.
- (d) The work project shall have an estimated completion date.

(2) The director has the authority to issue directives to lapse existing work project accounts at any time. The director shall notify each member of the senate and house appropriations committees and the fiscal agencies of work projects that the director has ordered to lapse. These directives may be disapproved by either the senate or house appropriations committee within 30 days after the date of notification and, if disapproved within that time, shall not be effective.

(3) Not later than 45 days after the conclusion of the fiscal year, the director shall notify the senate and house appropriations committees and the fiscal agencies of appropriations proposed to be designated as work projects in accordance with the definition contained in this act. These designations may be disapproved by either appropriations committee within 30 days after the date of notification and, if disapproved within that

time, shall not be effective. The notification shall include an estimate of the dollar amount of the funds to be designated as work projects and a description of all work projects designated in an appropriations act.

(4) Not later than 120 days after the conclusion of the fiscal year, the director shall prepare and deliver to the senate and house appropriations committees and the fiscal agencies a report that summarizes current work project accounts. This report shall contain a listing of all work project accounts, the balance in each account, the amount of funds that lapsed from any previously designated work projects, and the funds that received these lapses.

History: Add. 1999, Act 8, Imd. Eff. Mar. 22, 1999.

Popular name: Act 431

Popular name: DMB

18.1452 Payment and use of amounts appropriated in budget act.

Sec. 452. (1) The amounts appropriated in a budget act shall be paid out of the state treasury at a time and in a manner as provided by law.

(2) Each of the amounts appropriated shall be used solely for the respective purposes stated in the budget act except as otherwise provided by law.

History: 1984, Act 431, Eff. Mar. 29, 1985.

Popular name: Act 431

Popular name: DMB

18.1453 Appropriations from restricted revenues; limitation on expenditure.

Sec. 453. If appropriations are made in a budget act from restricted revenues including federal and matching revenues, the amount to be expended from the restricted revenue shall not exceed the amount appropriated in the budget act or the amount paid in, together with the balances carried forward from the previous fiscal year, whichever is the lesser.

History: 1984, Act 431, Eff. Mar. 29, 1985.

Popular name: Act 431

Popular name: DMB

18.1454 Appropriation of full-time equated positions; basis; report on status of FTE positions; report containing fiscal year summary of information required in subsection (2).

Sec. 454. (1) Each budget act shall appropriate full-time equated positions based on 2,088 hours for 1.0 FTE position.

(2) Before the end of each quarter, the department of civil service shall provide a report to the department, the appropriations committees, and the fiscal agencies regarding the status of FTE positions for the preceding quarter. The quarterly report shall include, but shall not be limited to, the following information:

(a) The number of FTE positions, by department, on the last payroll for the preceding quarter.

(b) The increase or decrease in FTE positions, by department, compared to the last quarterly report.

(c) The difference between the appropriated FTE positions, and the actual number of FTE positions, by department, for that quarter.

(d) Summary totals for the information listed in subdivisions (a), (b), and (c).

(3) The department of civil service shall provide a report to the appropriations committees and the fiscal agencies by December 1 of each year, which shall include a fiscal year summary of the information required in subsection (2) for the most recently completed fiscal year.

History: Add. 1988, Act 504, Imd. Eff. Dec. 29, 1988;—Am. 1999, Act 8, Imd. Eff. Mar. 22, 1999.

Popular name: Act 431

Popular name: DMB

18.1455 Appropriations for unclassified positions; use; eligibility of incumbents of unclassified positions to participate in state contributory insurance and longevity programs; prior years' service as classified employee in determining amount of longevity payment; use of appropriations for salaries and wages; payment of back salaries or wages.

Sec. 455. (1) The appropriations made under a budget act for unclassified positions as specified by a line item appropriation shall only be used for those positions.

(2) Incumbents of unclassified positions in the executive branch of state government, the legislative auditor general's office, and judicial officers whose total compensation is payable by the state and who are not

eligible to receive additional compensation from a county, township, or municipal governmental unit of this state pursuant to the state constitution of 1963 or state law, are eligible to participate in the state contributory insurance and longevity programs on the same basis as classified employees. Prior years' service as a classified employee shall be included in determining the amount of the longevity payment.

(3) The appropriations for salaries and wages shall be used only with respect to classified positions established by the civil service commission and to special personal service employees hired with approval of the department of civil service. Money appropriated in a budget act shall not be used to pay back salaries or wages to an employee, except for the purpose of paying appropriately authorized retroactive gross pay adjustments to an employee with an effective date prior to October 1 of the fiscal year in which the approval was given.

History: 1984, Act 431, Eff. Mar. 29, 1985.

Popular name: Act 431

Popular name: DMB

18.1456 Repealed. 1999, Act 8, Imd. Eff. Mar. 22, 1999.

Compiler's note: The repealed section pertained to appropriations for contractual services, supplies, and materials.

Popular name: Act 431

Popular name: DMB

18.1458 Use of amounts authorized for equal employment opportunity services; filling positions; responsibility.

Sec. 458. The amounts authorized in a budget act for equal employment opportunity services shall only be used to comply with laws or orders relative to equal opportunity employment and affirmative action programs. These positions shall be filled by persons employed by the principal executive officer of the state agency and shall be responsible only to that principal executive officer.

History: 1984, Act 431, Eff. Mar. 29, 1985.

Popular name: Act 431

Popular name: DMB

18.1459 Repealed. 1988, Act 504, Imd. Eff. Dec. 29, 1988.

Compiler's note: The repealed section pertained to payment of court judgments.

Popular name: Act 431

Popular name: DMB

18.1460 Indirect cost rate or percentage; determination; report; request for appropriations of federal funds not to include funds for indirect costs; charging indirect cost to award, contract, or grant; crediting indirect cost; availability of revenues.

Sec. 460. (1) A state agency shall determine what the indirect cost rate or percentage is for that state agency and shall report that indirect cost rate or percentage to the department, the appropriations committees, and the fiscal agencies. A state agency's request for appropriations of federal funds shall not include funds provided for indirect costs.

(2) A state agency which has received an award, contract, or grant shall charge the applicable indirect cost to that award, contract, or grant. The indirect cost shall be credited as revenue to the respective state funds to offset state expenditures for support services for which indirect costs were provided. These revenues shall be available to meet the required 1% payment to the civil service commission as set forth in section 5 of article XI of the state constitution of 1963, as it applies to salaries and wages funded from federal revenues.

History: 1984, Act 431, Eff. Mar. 29, 1985.

Popular name: Act 431

Popular name: DMB

18.1461 Audit of federal grants awarded to state; funding for audit; single audits; encumbering amounts to finance cost of audits; carrying over unexpended amounts; submitting schedule of federal financial assistance; "public law 104-156" defined.

Sec. 461. (1) As required by federal law, all federal grants awarded to the state shall be audited by the auditor general, an independent accounting firm selected by the auditor general, or an auditor approved by the appropriate federal agency. The funding for each audit shall be from the respective federal grants audited.

(2) Each audit performed pursuant to Public Law 104-156 shall be conducted by an independent auditor in

accordance with generally accepted government auditing standards. Single audits for this state shall be conducted in accordance with Public Law 104-156 by the auditor general, an independent accounting firm selected by the auditor general, or an independent auditor approved by the appropriate federal agency. For fiscal years beginning October 1, 1985 and thereafter, biennial audits of state departments and agencies shall be performed for purposes of complying with the requirements of Public Law 104-156 pertaining to audit evaluation of the internal controls of this state and the state's compliance with material features of laws and regulations related to major federal assistance programs.

(3) The funding for single audits shall be from the respective federal grants audited, in accordance with Public Law 104-156. The chief executive officer of each principal department shall ensure that sufficient amounts are encumbered from the appropriate federal grants to finance the cost of the audits. Any unexpended amounts of encumbered funds may be carried over into succeeding years to cover the cost of the single audits.

(4) Before February 1 of each year, the director of each principal department shall submit to the director, fiscal agencies and the auditor general a schedule of federal financial assistance for the last completed fiscal year in a form approved by the auditor general.

(5) As used in this section, "Public Law 104-156" means chapter 75 of title 31 of the United States Code, 31 U.S.C. 7501 to 7507.

History: 1984, Act 431, Eff. Mar. 29, 1985;—Am. 1986, Act 251, Imd. Eff. Dec. 4, 1986;—Am. 1999, Act 8, Imd. Eff. Mar. 22, 1999.

Popular name: Act 431

Popular name: DMB

18.1462 Plan to comply with audit recommendations.

Sec. 462. Within 60 days after the final audit is released, the principal executive officer of a state agency which is audited shall submit a plan to comply with the audit recommendations to the department. The plan shall be prepared in accordance with procedures prescribed by the principal department. Copies of the plan shall be distributed in accordance with the administrative guide to state government. Copies shall also be distributed to relevant house and senate appropriations subcommittees, relevant house and senate standing committees, fiscal agencies, and the executive office.

History: 1984, Act 431, Eff. Mar. 29, 1985;—Am. 1999, Act 8, Imd. Eff. Mar. 22, 1999.

Popular name: Act 431

Popular name: DMB

18.1463 Federal pass-through funds to local institutions and units of local government; appropriation; certain funds not to be expended unless appropriated.

Sec. 463. Federal pass-through funds to local institutions and units of local government which do not require additional state matching funds and for which the criteria for distribution is established by the federal government are appropriated for the purposes intended. Unless provided for in other statutes, funds received during a fiscal year and unexpended funds carried forward from previous fiscal years for which a principal department has discretion as to how the funds will be distributed shall not be expended unless appropriated.

History: 1984, Act 431, Eff. Mar. 29, 1985.

Popular name: Act 431

Popular name: DMB

18.1483 Definitions used in MCL 18.1483 to 18.1489.

Sec. 483. As used in this section and sections 484 to 489:

(a) "Department head" means the head of a principal department.

(b) "Internal accounting and administrative control system" means the methods through which reasonable assurances can be given that measures are being used by a principal department and its state agencies to safeguard assets, check the accuracy and reliability of accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies.

History: Add. 1986, Act 272, Imd. Eff. Dec. 19, 1986.

Popular name: Act 431

Popular name: DMB

18.1484 System of reporting and general framework to be used in evaluations of internal accounting and administrative control systems; development; modification; notice.

Sec. 484. (1) The director, in consultation with the auditor general, shall develop a system of reporting and a general framework which shall be used by the principal departments in performing evaluations on their respective internal accounting and administrative control systems.

(2) The director, in consultation with the auditor general, may modify the format for the report or the framework for conducting the evaluations after giving 30 days' notice to each principal department head and the senate and house appropriations committees.

History: Add. 1986, Act 272, Imd. Eff. Dec. 19, 1986;—Am. 1999, Act 8, Imd. Eff. Mar. 22, 1999.

Popular name: Act 431

Popular name: DMB

18.1485 Internal accounting and administrative control system; establishment and maintenance; elements; duties of head of principal department; reports.

Sec. 485. (1) The department head of each principal department shall establish and maintain an internal accounting and administrative control system within that principal department using the generally accepted accounting principles as developed by the accounting profession and in conformance with directives issued pursuant to section 141(d).

(2) Each internal accounting and administrative control system shall include, but not be limited to, all of the following elements:

(a) A plan of organization that provides separation of duties and responsibilities among employees.

(b) A plan that limits access to that principal department's resources to authorized personnel whose use is required within the scope of their assigned duties.

(c) A system of authorization and record-keeping procedures to control assets, liabilities, revenues, and expenditures.

(d) A system of practices to be followed in the performance of duties and functions in each principal department.

(e) Qualified personnel that maintain a level of competence.

(f) Internal control techniques that are effective and efficient.

(3) Each head of a principal department shall document the system, communicate system requirements to employees of that principal department, assure that the system is functioning as prescribed, and modify as appropriate for changes in condition of the system.

(4) The head of each principal department shall provide a biennial report on or before May 1 of each odd numbered year prepared by the principal department's internal auditor on the evaluation of the principal department's internal accounting and administrative control system to the governor, the auditor general, the senate and house appropriations committees, the fiscal agencies, and the director. For the period reviewed, the report shall include, but not be limited to, both of the following:

(a) A description of any material inadequacy or weakness discovered in connection with the evaluation of the department's internal accounting and administrative control system as of October 1 of the preceding year and the plans and a time schedule for correcting the internal accounting and administrative control system, described in detail.

(b) A listing of each audit or investigation performed by the internal auditor pursuant to sections 486(4) and 487.

History: Add. 1986, Act 272, Imd. Eff. Dec. 19, 1986;—Am. 1999, Act 8, Imd. Eff. Mar. 22, 1999.

Popular name: Act 431

Popular name: DMB

18.1486 Internal auditor; appointment; member of state classified executive service; supervision; protection; duties; professional and auditing standards.

Sec. 486. (1) Each principal department shall appoint an internal auditor. Each internal auditor shall be a member of the state classified executive service.

(2) Except as otherwise provided by law, each internal auditor shall report to and be under the general supervision of the department head.

(3) A person may not prevent or prohibit the internal auditor from initiating, carrying out, or completing any audit or investigation. The internal auditor shall be protected pursuant to the whistleblowers' protection act, 1980 PA 469, MCL 15.361 to 15.369.

(4) The internal auditor of each principal department shall:

(a) Receive and investigate any allegations that false or misleading information was received in evaluating the principal department's internal accounting and administrative control system or in connection with the

preparation of the biennial report on the system.

(b) Conduct and supervise audits relating to financial activities of the principal department's operations.

(c) Review existing activities and recommend policies designed to promote efficiency in the administration of that principal department's programs and operations as assigned by the department head.

(d) Recommend policies for activities to protect the state's assets under the control of that principal department, and to prevent and detect fraud and abuse in the principal department's programs and operations.

(e) Review and recommend activities designed to ensure that principal department's internal financial control and accounting policies are in conformance with the department of management and budget accounting division directives issued pursuant to sections 421 and 444.

(f) Provide a means to keep the department head fully and currently informed about problems and deficiencies relating to the administration of that principal department's programs and operations and the necessity for and progress of corrective action.

(g) Conduct other audit and investigative activities as assigned by the department head.

(5) Each internal auditor shall adhere to appropriate professional and auditing standards in carrying out any financial or program audits or investigations.

History: Add. 1986, Act 272, Imd. Eff. Dec. 19, 1986;—Am. 1999, Act 8, Imd. Eff. Mar. 22, 1999.

Popular name: Act 431

Popular name: DMB

18.1487 Internal auditor; reports; plan to correct problems, abuses, or deficiencies; public disclosure of information.

Sec. 487. (1) Each internal auditor shall report immediately to the department head if the internal auditor becomes aware of particularly serious or flagrant problems, abuses, or deficiencies relating to the administration of programs or operations of that principal department or its state agencies. If criminal activity is suspected, the department head shall immediately submit a report to the governor, attorney general, and the auditor general in accordance with reporting requirements established pursuant to section 484.

(2) Within 60 days after the receipt of a report filed pursuant to subsection (1), the department head shall submit a plan to correct the problems, abuses, or deficiencies to the director. Within 30 days after the receipt of the plan to correct, the director shall submit copies of the plan to correct to the auditor general and the senate and house appropriations committees.

(3) This section shall not be construed to authorize the public disclosure of information which is part of an ongoing criminal investigation or which is specifically prohibited from public disclosure by any other provision of law.

History: Add. 1986, Act 272, Imd. Eff. Dec. 19, 1986.

Popular name: Act 431

Popular name: DMB

18.1488 Repealed. 1999, Act 8, Imd. Eff. Mar. 22, 1999.

Compiler's note: The repealed section pertained to budget recommendations.

Popular name: Act 431

Popular name: DMB

18.1489 Evaluation and report by auditor general.

Sec. 489. The auditor general shall evaluate the implementation of the requirements of sections 483 to 488 and shall report to the legislature in the financial audit of each department.

History: Add. 1986, Act 272, Imd. Eff. Dec. 19, 1986;—Am. 1992, Act 58, Imd. Eff. May 20, 1992.

Popular name: Act 431

Popular name: DMB

18.1491 Fiscal year.

Sec. 491. The fiscal year of the state shall commence October 1 and continue through September 30.

History: 1984, Act 431, Eff. Mar. 29, 1985.

Popular name: Act 431

Popular name: DMB

18.1492 Including financial statements in comprehensive annual financial report; responsibility; statement format; audit; submission of statements.

Sec. 492. The financial statements of all state agencies, as defined by generally accepted accounting principles as falling within the reporting responsibility of the state, shall be included in the comprehensive annual financial report of the state. The director shall designate and notify each state agency of this responsibility as well as describe the statement format that shall be followed by each agency so notified. The statements provided shall be followed by each state agency so notified. The statements provided shall be audited as provided by law or by the auditor general or independent auditors selected by the auditor general before submission to the department of management and budget and shall be submitted not later than 90 days following the close of the state's fiscal year.

History: 1984, Act 431, Eff. Mar. 29, 1985;—Am. 1999, Act 8, Imd. Eff. Mar. 22, 1999.

Popular name: Act 431

Popular name: DMB

18.1493 Preliminary, unaudited financial statements including notes of general fund and state school aid fund; submission to legislature and fiscal agency.

Sec. 493. The director shall submit preliminary, unaudited financial statements including notes of the general fund and the state school aid fund to the legislature and the fiscal agencies within 120 days after the end of the fiscal year.

History: 1984, Act 431, Eff. Mar. 29, 1985;—Am. 1999, Act 8, Imd. Eff. Mar. 22, 1999.

Popular name: Act 431

Popular name: DMB

18.1494 Comprehensive annual financial report; publication; preparation of financial statements; certificates of examination; disclosure of budgetary basis; deviation from generally accepted accounting principles; establishment and use of capital outlay reserve.

Sec. 494. (1) Within 6 months after the end of the fiscal year, the director shall publish a comprehensive annual financial report which shall conform as nearly as practicable to established governmental reporting standards. The financial statements shall be prepared in accordance with generally accepted accounting principles and shall contain certificates of examination by the auditor general and any other independent auditor the auditor general may assign. The comprehensive annual financial report and the 120-day report shall contain disclosures of the budgetary basis if different from statements prepared under generally accepted accounting principles.

(2) A deviation from generally accepted accounting principles shall not be made unless authorized by statute. A deviation which is being employed at the time this act takes effect may continue until the deviation is corrected and accounted for on the basis of generally accepted accounting principles.

(3) When the state budget director determines that sufficient revenues exist, a capital outlay reserve shall be established. After a capital outlay reserve is established, the capital outlay reserve shall not be used to balance any deficit.

History: 1984, Act 431, Eff. Mar. 29, 1985.

Popular name: Act 431

Popular name: DMB

18.1495, 18.1496 Repealed. 1988, Act 504, Imd. Eff. Dec. 29, 1988.

Compiler's note: The repealed sections pertained to state accounting and fiscal responsibility account and working capital reserve account.

Popular name: Act 431

Popular name: DMB

18.1497 Itemized statement of state spending paid to units of local government and total state spending from state sources; transmittal; calculation of spending proportion; publication of report; reporting amount of additional payments; payment of amount; making up shortfall in payments.

Sec. 497. (1) The director shall transmit to the auditor general for review and comment, not later than May 31 of each year, an itemized statement of the state spending paid to units of local government and total state spending from state sources for the fiscal year in which this act takes effect, and each fiscal year thereafter, including a calculation of the proportion of state spending paid to units of local government to total state spending from state sources. The report shall be published by submission to the legislature not later than June 30 of each year.

(2) If the proportion calculated pursuant to subsection (1) is less than required by section 349, the statements required by this section shall report the amount of additional payments to units of local government which would have been necessary to meet the requirements of section 349. This amount shall be payable to units of local government not later than in the fiscal year following the fiscal year in which the deficiency in payments to units of local government was ascertained and reported to the legislature.

(3) Any appropriations to the fund which are intended to make up a shortfall in payments to units of local government for a prior fiscal year shall not be considered as state spending from state resources or as state payments to units of local government in the fiscal year in which the amounts are appropriated.

History: 1984, Act 431, Eff. Mar. 29, 1985;—Am. 1988, Act 504, Imd. Eff. Dec. 29, 1988.

Popular name: Act 431

Popular name: DMB

18.1498 Local government payment fund; creation; reservation of money appropriated to fund; amounts considered state payments to units of local government.

Sec. 498. (1) The local government payment fund is hereby created. Money appropriated to the fund by the legislature shall be reserved for use in a fiscal year when additional state payments to units of local government are necessary to meet the requirements of section 349.

(2) The amounts recommended by the governor or appropriated by the legislature into the fund described in subsection (1) shall be considered, for purposes of fulfilling the requirements of section 349, as state spending to be paid to units of local government.

History: 1984, Act 431, Eff. Mar. 29, 1985.

Popular name: Act 431

Popular name: DMB

18.1499 Closing schedule; procedural directives; appropriation transfer; monthly statement of estimated revenues; latest published estimate.

Sec. 499. (1) At least 60 days before the end of the fiscal year, the director shall issue to all state agencies a closing schedule which shall list the dates by which financial information must be submitted to the department. The director may issue, from time to time, directives concerning the procedures to be followed by state agencies during the fiscal year end closing process.

(2) An appropriation transfer made for the purpose of increasing general fund revenues appropriated to offset an actual shortfall in appropriated federal or state restricted revenues shall not be effective unless the transfer is approved within 60 days after the end of the fiscal year. An appropriation transfer made for the purpose of increasing the gross appropriation level of an appropriation line item shall not be effective unless the transfer is approved within 60 days after the end of the fiscal year.

(3) For purposes of the closing, the monthly statement of estimated revenues for the month ending November 30, and submitted pursuant to section 386, shall be used, along with the latest published estimate available at that date for funds not included in the monthly financial report.

History: 1984, Act 431, Eff. Mar. 29, 1985;—Am. 1988, Act 504, Imd. Eff. Dec. 29, 1988.

Popular name: Act 431

Popular name: DMB